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September 8, 2006

Financial Crimes Enforcement
Network
P.O. Box 39
Vienna, VA 22183

Board of Governors of the Federal
Reserve System
20th and C Streets, N.W.
Washington, DC 20515

Re: RIN 1506-AA86
Threshold for the Requirement to Collect, Retain, and Transmit
Information on Funds Transfers and Transmittals of Funds

Dear Sirs:

The Clearing House Association L.L.C. (“The Clearing House”)¹ is pleased to comment on the proposal of the Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) and the Board of Governors of the Federal Reserve System (“Board”) to reduce or eliminate the current \$3,000 threshold that now applies to the recordkeeping rule² and the travel rule.³

The Board and FinCEN report that “[m]oney launders and terrorist financiers have become increasingly sophisticated in their use of funds transfers and transmittals of funds,” and that the “Special Recommendations on Terrorist Financing” issued by the Financial Action Task Force recommended that information identifying the originator of a funds transfer or the transmitter of a transmittal of funds be “collected, retained, and transmitted to banks or other financial institutions in the payment chain” where the funds transfer or transmittal of funds is

¹ The members of The Clearing House are Bank of America, N.A.; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA, N.A.; JPMorgan Chase Bank, N.A.; LaSalle Bank, N.A.; UBS AG; U.S. Bank N.A.; Wachovia Bank, N.A.; and Wells Fargo Bank, N.A.

² 31 C.F.R. § 103.33(e) and (f).

³ *Id.* § 103.33(g).

September 8, 2006

greater than \$1,000.⁴ The Board and FinCEN ask whether the \$3,000 threshold should be reduced to the \$1,000 level proposed by FATF, or eliminated altogether.

The Clearing House and its member banks support eliminating the \$3,000 threshold. The process of originating funds transfers and processing them as intermediary banks or beneficiary's banks has become highly automated at all but the smallest institutions. In such an environment, it is a great deal of trouble for a bank to set up and maintain one set of procedures for large-dollar transactions and another set of procedures for small-dollar transactions. As a result, virtually all banks of any size will use the same procedures for any funds transfers that they originate or process as an intermediary or beneficiary's bank, regardless of the size of the transaction. In other words, where banks have implemented automated processes to comply with the travel and recordkeeping rules regardless of dollar amount, a reduction or elimination of the threshold will not create an additional burden. We therefore see no significant additional burden on banks or their customers if the threshold is eliminated.

As banks are already treating all funds transfers as if they were covered by the travel and recordkeeping rules, these records are already available to law enforcers. It therefore seems doubtful that the benefit of eliminating the threshold would be more than marginal, affecting mainly smaller, nonbank providers of funds-transfer services. Still, there would be some benefit to bringing these institutions up to the industry standard. Accordingly, The Clearing House and its member banks support the proposal to eliminate the \$3,000 threshold for the travel and recordkeeping rules.

If you have any questions about this letter, please contact Joseph R. Alexander, Senior Counsel at 212-612-9334 or joe.alexander@theclearinghouse.org.

Very truly yours,



⁴ 71 Fed. Reg. 35,564, 35,565-66 (June 21, 2006).